

TOWNSHIP OF AMBOY
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

MARCH 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

| | | | |
|--|-------------------------------|---|---------------------|
| Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Unit Name Township of Amboy | County Hillsdale |
| Fiscal Year End March 31, 2006 | Opinion Date June 30, 2006 | Date Audit Report Submitted to State August 11, 2006 | |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☐ ☒ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

| | | | |
|--|-------------------------------------|--|--------------|
| We have enclosed the following: | Enclosed | Not Required (enter a brief justification) | |
| Financial Statements | <input checked="" type="checkbox"/> | | |
| The letter of Comments and Recommendations | <input checked="" type="checkbox"/> | | |
| Other (Describe) Internal control & Compliance | <input checked="" type="checkbox"/> | | |
| Certified Public Accountant (Firm Name) Osbourne, March, Condon & Co., P.C. | | Telephone Number 517-439-9331 | |
| Street Address 184 W. Carleton Road | | City Hillsdale | State MI |
| Authorizing CPA Signature <i>Donna J. Hecht, CPA</i> | | Printed Name Donna J. Hecht | Zip 49242 |
| | | License Number 1101025151 | |

**TOWNSHIP OF AMBOY
HILLSDALE COUNTY, MICHIGAN**

TOWNSHIP BOARD

MARCH 31, 2006

Julie Kanouse

Supervisor

Bernadine Schaedler

Clerk

Betty Spiess

Deputy Clerk

Joe St. John

Treasurer

Donna St. John

Deputy Treasurer

Roger Pitts

Trustee

Samuel Brown

Trustee

TOWNSHIP OF AMBOY

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Osbourne, March, Condon & Co., P.C.

Certified Public Accountants

184 West Carleton Road

Hillsdale, Michigan 49242

Telephone: 517/439-9331

FAX: 517/439-1894

INDEPENDENT AUDITOR'S REPORT

Township Board
Township of Amboy
Hillsdale County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Township of Amboy, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The scope of our audit did not include verification of the fund balances and net assets at April 1, 2005. Therefore, we are unable to express an opinion on the accompanying statements of fund balance and net assets.

As discussed in Note 1 to the financial statements, management has not recorded general and infrastructure assets in governmental activities, and accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general assets be capitalized and depreciated, which would increase the assets, net assets, and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets, and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the Township of Amboy as of March 31, 2006 or the changes in financial position thereof for the year then ended.

Additionally, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and each major fund of the Township of Amboy, as of March 31, 2006, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

The accompanying financial statements do not include a management's discussion and analysis, which is required to present an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated June 30, 2006 on our consideration of Township of Amboy, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. Those reports are an integral part of the audit, and in considering the results of the audit, should be read along with the auditor's report on the financial statements.

Osbourne, March, Condon & Co., P.C.

Certified Public Accountants

Hillsdale, Michigan
June 30, 2006

TOWNSHIP OF AMBOY
STATEMENT OF NET ASSETS
MARCH 31, 2006

| | GOVERNMENTAL ACTIVITIES | BUSINESS ACTIVITIES | TOTAL |
|---|----------------------------|------------------------|---------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 262,999 | \$ 362,635 | \$ 625,634 |
| Investments | 371,484 | 153,600 | 525,084 |
| Prepaid expenses | 2,603 | 2,632 | 5,235 |
| Due from other governmental units | 35,234 | 11,360 | 46,594 |
| Due from agency fund | 331 | | 331 |
| Special assessments receivable, current portion | <u>74,133</u> | <u></u> | <u>74,133</u> |
| Total Current Assets | <u>\$ 746,784</u> | <u>\$ 530,227</u> | <u>\$ 1,277,011</u> |
| Noncurrent Assets: | | | |
| Special assessments receivable, net of current portion | \$ 370,643 | \$ | \$ 370,643 |
| Capital assets | | 1,276,606 | 1,276,606 |
| Less: accumulated depreciation | <u></u> | <u>572,574</u> | <u>572,574</u> |
| Total Noncurrent Assets | <u>\$ 370,643</u> | <u>\$ 704,032</u> | <u>\$ 1,074,675</u> |
| TOTAL ASSETS | <u>\$ 1,117,427</u> | <u>\$ 1,234,259</u> | <u>\$ 2,351,686</u> |
| LIABILITIES AND NET ASSETS | | | |
| Current Liabilities: | | | |
| Accrued interest | \$ 2,000 | \$ 1,142 | \$ 3,142 |
| Current portion of long-term liabilities | <u>95,000</u> | <u>7,540</u> | <u>102,540</u> |
| Total Current Liabilities | <u>\$ 97,000</u> | <u>\$ 8,682</u> | <u>\$ 105,682</u> |
| Noncurrent Liabilities: | | | |
| Bond, net of current portion | \$ 465,000 | \$ | \$ 465,000 |
| Note payable, net of current portion | <u></u> | <u>15,080</u> | <u>15,080</u> |
| Total Noncurrent Liabilities | <u>\$ 465,000</u> | <u>\$ 15,080</u> | <u>\$ 480,080</u> |
| Total Liabilities | <u>\$ 562,000</u> | <u>\$ 23,762</u> | <u>\$ 585,762</u> |
| Net Assets: | | | |
| Invested in capital assets, net of related debt | \$ | \$ 681,412 | \$ 681,412 |
| Restricted for debt service | 139,543 | | 139,543 |
| Unrestricted | <u>401,965</u> | <u>529,085</u> | <u>931,050</u> |
| Total Net Assets | <u>\$ 555,427</u> | <u>\$ 1,210,497</u> | <u>\$ 1,765,924</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 1,117,427</u> | <u>\$ 1,234,259</u> | <u>\$ 2,351,686</u> |

See accompanying notes to the basic financial statements.

TOWNSHIP OF AMBOY

STATEMENT OF ACTIVITIES

YEAR ENDED MARCH 31, 2006

| PROGRAM REVENUES | | NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS | | |
|--------------------------------|----------------------|---|--------------------------|--------------|
| EXPENSES | CHARGES FOR SERVICES | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL |
| Governmental Activities: | | | | |
| General government | \$ 66,658 | \$ (66,658) | \$ | \$ (66,658) |
| Roads and bridges | 20,990 | (20,990) | | (20,990) |
| Road paving | 87,708 | (87,708) | | (87,708) |
| Fire protection | 23,752 | (23,752) | | (23,752) |
| Dust control | 17,000 | (12,750) | | (12,750) |
| Interest on long-term debt | 30,154 | (30,154) | | (30,154) |
| Other | 9,222 | (9,222) | | (9,222) |
| Total Governmental Activities | \$ 255,484 | \$ (251,234) | \$ | \$ (251,234) |
| Business-type Activities: | | | | |
| Lake Diane Sewer Fund | \$ 59,579 | \$ 83,356 | \$ 23,777 | \$ 23,777 |
| Merry Lake Sewer Fund | 47,464 | 55,251 | 7,787 | 7,787 |
| Total Business-type Activities | \$ 107,043 | \$ 138,607 | \$ 31,564 | \$ 31,564 |
| TOTAL | \$ 362,527 | \$ (251,234) | \$ 31,564 | \$ (219,670) |
| GENERAL REVENUES | | | | |
| Property taxes | | \$ 209,668 | \$ | \$ 209,668 |
| State-shared revenues | | 86,421 | | 86,421 |
| Interest | | 13,605 | 1,686 | 15,291 |
| Other | | 17,702 | | 17,702 |
| TOTAL GENERAL REVENUES | | \$ 327,396 | \$ 1,686 | \$ 329,082 |
| CHANGE IN NET ASSETS | | \$ 76,162 | \$ 33,250 | \$ 109,412 |
| NET ASSETS - BEGINNING OF YEAR | | 479,265 | 1,177,247 | 1,656,512 |
| NET ASSETS - END OF YEAR | | \$ 555,427 | \$ 1,210,497 | \$ 1,765,924 |

See accompanying notes to the basic financial statements.

TOWNSHIP OF AMBOY
BALANCE SHEETS -
GOVERNMENTAL FUNDS
MARCH 31, 2006

| | GENERAL FUND | 2002 DEBT SERVICE FUND | TOTAL GOVERNMENTAL FUNDS |
|-----------------------------------|-------------------|------------------------------|--------------------------------|
| ASSETS | | | |
| Cash | \$ 262,546 | \$ 453 | \$ 262,999 |
| Investments | 232,394 | 139,090 | 371,484 |
| Prepaid insurance | 2,603 | | 2,603 |
| Due from other governmental units | 13,919 | | 13,919 |
| Due from other funds | <u>331</u> | <u></u> | <u>331</u> |
| TOTAL ASSETS | <u>\$ 511,793</u> | <u>\$ 139,543</u> | <u>\$ 651,336</u> |
| FUND BALANCES | | | |
| Reserved | \$ 328,720 | \$ 139,543 | \$ 468,263 |
| Unreserved, undesignated | <u>183,073</u> | <u></u> | <u>183,073</u> |
| TOTAL FUND BALANCES | <u>\$ 511,793</u> | <u>\$ 139,543</u> | <u>\$ 651,336</u> |

See accompanying notes to the basic financial statements.

TOWNSHIP OF AMBOY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS
YEAR ENDED MARCH 31, 2006

TOTAL GOVERNMENTAL FUND BALANCES \$ 651,336

Amounts reported for governmental activities in the statement of net assets are different because:

The following revenues and expenditures are reported on the full accrual basis, but are absent in the fund statements because they do not use current financial resources.

| | | |
|------------------------------|----------------|--------|
| Accrued property tax revenue | \$ 21,315 | |
| Accrued interest payable | <u>(2,000)</u> | |
| | | 19,315 |

The following assets are not available for current financial use, and are not reported in the funds.

| | |
|--------------------------------|---------|
| Special assessments receivable | 444,776 |
|--------------------------------|---------|

The following long-term liabilities do not use current financial resources, and are not reported in the funds.

| | |
|---------------|------------------|
| Bonds payable | <u>(560,000)</u> |
|---------------|------------------|

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 555,427

See accompanying notes to the basic financial statements.

TOWNSHIP OF AMBOY

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2006

| | GENERAL FUND | 2002 DEBT SERVICE FUND | TOTAL GOVERNMENTAL FUNDS |
|---------------------------------------|-------------------|------------------------------|--------------------------------|
| REVENUES | | | |
| Property tax - operating | \$ 29,581 | \$ | \$ 29,581 |
| Property tax - roads | 116,905 | | 116,905 |
| Property tax - special assessments | | 98,795 | 98,795 |
| Delinquent property taxes | 11,705 | 5,539 | 17,244 |
| State shared revenue | 83,661 | | 83,661 |
| State grants - other | 2,760 | | 2,760 |
| Administrative fees | 15,910 | | 15,910 |
| Dust control | 4,250 | | 4,250 |
| Interest | 8,720 | 4,885 | 13,605 |
| Miscellaneous | 1,339 | 453 | 1,792 |
| TOTAL REVENUES | <u>\$ 274,831</u> | <u>\$ 109,672</u> | <u>\$ 384,503</u> |
| EXPENDITURES | | | |
| General government | \$ 66,658 | \$ | \$ 66,658 |
| Roads and bridges | 20,990 | | 20,990 |
| Road paving | 87,708 | | 87,708 |
| Solid waste | 4,276 | | 4,276 |
| Cemetery | 4,946 | | 4,946 |
| Fire protection | 23,752 | | 23,752 |
| Dust control | 17,000 | | 17,000 |
| Debt service | | 100,000 | 100,000 |
| Principal | | 28,154 | 28,154 |
| Interest and miscellaneous | | | |
| TOTAL EXPENDITURES | <u>\$ 225,330</u> | <u>\$ 128,154</u> | <u>\$ 353,484</u> |
| REVENUES OVER (UNDER) EXPENDITURES | \$ 49,501 | \$ (18,482) | \$ 31,019 |
| FUND BALANCE - BEGINNING | <u>462,292</u> | <u>158,025</u> | <u>620,317</u> |
| FUND BALANCE - ENDING | <u>\$ 511,793</u> | <u>\$ 139,543</u> | <u>\$ 651,336</u> |

See accompanying notes to the basic financial statements.

TOWNSHIP OF AMBOY

RECONCILIATION OF THE CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

YEAR ENDED MARCH 31, 2006

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUND TYPES \$ 31,019

Amounts reported for governmental activities in the statement of activities are different because:

Receipt of special assessment principal is reported as revenue in governmental funds,
but it reduces special assessment receivables in the statement of net assets and
does not affect the statement of activities. (74,172)

Repayment of long-term debt is reported as an expenditure in governmental funds,
but it reduces long-term liabilities in the statement of net assets and does not affect
the statement of activities. In the current year, these amounts consist of:

Repayment of long-term obligations 100,000

Some items are susceptible to accrual on the statement of activities, but do not use current
financial resources and therefore are not reported in governmental funds.

| | | |
|------------------------------|----------------|---------------|
| Accrued property tax revenue | \$ 21,315 | |
| Accrued interest expense | <u>(2,000)</u> | |
| | | <u>19,315</u> |

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 76,162

See accompanying notes to the basic financial statements.

TOWNSHIP OF AMBOY
STATEMENTS OF NET ASSETS -
PROPRIETARY FUNDS

MARCH 31, 2006

| | LAKE DIANE SEWER FUND | MERRY LAKE SEWER FUND | TOTAL PROPRIETARY FUNDS |
|---|-----------------------------|-----------------------------|-------------------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 263,502 | \$ 99,133 | \$ 362,635 |
| Investments | 25,000 | 128,600 | 153,600 |
| Prepaid insurance | 1,545 | 1,087 | 2,632 |
| Due from other governmental units | <u>5,252</u> | <u>6,108</u> | <u>11,360</u> |
| Total current assets | <u>\$ 295,299</u> | <u>\$ 234,928</u> | <u>\$ 530,227</u> |
| Noncurrent assets: | | | |
| Land | \$ 36,000 | \$ | \$ 36,000 |
| Sewer plant | 808,000 | 432,606 | 1,240,606 |
| Less accumulated depreciation | <u>(253,150)</u> | <u>(319,424)</u> | <u>(572,574)</u> |
| Total noncurrent assets | <u>\$ 590,850</u> | <u>\$ 113,182</u> | <u>\$ 704,032</u> |
| TOTAL ASSETS | <u><u>\$ 886,149</u></u> | <u><u>\$ 348,110</u></u> | <u><u>\$ 1,234,259</u></u> |
| LIABILITIES AND NET ASSETS | | | |
| Current liabilities: | | | |
| Accrued interest | \$ 1,142 | \$ | \$ 1,142 |
| Current portion long-term debt | <u>7,540</u> | <u></u> | <u>7,540</u> |
| Total current liabilities | <u>\$ 8,682</u> | <u>\$</u> | <u>\$ 8,682</u> |
| Noncurrent liabilities: | | | |
| Note payable, less current portion | <u>\$ 15,080</u> | <u>\$</u> | <u>\$ 15,080</u> |
| TOTAL LIABILITIES | <u><u>\$ 23,762</u></u> | <u><u>\$</u></u> | <u><u>\$ 23,762</u></u> |
| Net assets: | | | |
| Invested in capital assets, net of related debt | \$ 568,230 | \$ 113,182 | \$ 681,412 |
| Reserved | 1,545 | 1,087 | 2,632 |
| Unrestricted | <u>292,612</u> | <u>233,841</u> | <u>526,453</u> |
| TOTAL NET ASSETS | <u><u>\$ 862,387</u></u> | <u><u>\$ 348,110</u></u> | <u><u>\$ 1,210,497</u></u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 886,149</u></u> | <u><u>\$ 348,110</u></u> | <u><u>\$ 1,234,259</u></u> |

See accompanying notes to the basic financial statements.

TOWNSHIP OF AMBOY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
YEAR ENDED MARCH 31, 2006

| | LAKE DIANE SEWER FUND | MERRY LAKE SEWER FUND | TOTAL PROPRIETARY FUNDS |
|--|-----------------------------|-----------------------------|-------------------------------|
| OPERATING REVENUES | | | |
| Assessments | \$ 75,787 | \$ 51,350 | \$ 127,137 |
| Permits | 269 | 106 | 375 |
| Connection fees | 7,300 | 3,600 | 10,900 |
| Miscellaneous | | 195 | 195 |
| | <u> </u> | <u> </u> | <u> </u> |
| TOTAL REVENUES | \$ 83,356 | \$ 55,251 | \$ 138,607 |
| OPERATING EXPENSES | | | |
| Salaries and related expense | \$ 20,524 | \$ 12,529 | \$ 33,053 |
| Repairs and maintenance | 6,453 | 17,507 | 23,960 |
| Septic tank cleaning | 1,625 | | 1,625 |
| Laboratory testing | 1,555 | 1,660 | 3,215 |
| Utilities | 1,430 | 1,476 | 2,906 |
| Telephone | 304 | 304 | 608 |
| Insurance | 1,724 | 1,211 | 2,935 |
| Mowing | 1,770 | 2,280 | 4,050 |
| Depreciation | 21,100 | 10,400 | 31,500 |
| Miscellaneous | 429 | 97 | 526 |
| | <u> </u> | <u> </u> | <u> </u> |
| TOTAL EXPENDITURES | \$ 56,914 | \$ 47,464 | \$ 104,378 |
| OPERATING INCOME | \$ 26,442 | \$ 7,787 | \$ 34,229 |
| NON-OPERATING REVENUE (EXPENSE) | | | |
| Interest income | \$ 1,199 | \$ 487 | \$ 1,686 |
| Interest expense | (2,665) | | (2,665) |
| | <u> </u> | <u> </u> | <u> </u> |
| TOTAL NON-OPERATING REVENUE (EXPENSE) | \$ (1,466) | \$ 487 | \$ (979) |
| NET INCOME | \$ 24,976 | \$ 8,274 | \$ 33,250 |
| NET ASSETS - BEGINNING | <u>837,411</u> | <u>339,836</u> | <u>1,177,247</u> |
| NET ASSETS - ENDING | <u>\$ 862,387</u> | <u>\$ 348,110</u> | <u>\$ 1,210,497</u> |

See accompanying notes to the basic financial statements.

TOWNSHIP OF AMBOY
STATEMENTS OF CASH FLOWS -
PROPRIETARY FUNDS
YEAR ENDED MARCH 31, 2006

ENTERPRISE FUNDS

| | LAKE DIANE SEWER | MERRY LAKE SEWER | TOTAL |
|---|--------------------------|-------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash receipts from customers | \$ 78,105 | \$ 49,143 | \$ 127,248 |
| Payments to employees | (20,524) | (12,529) | (33,053) |
| Payments to suppliers | (15,639) | (24,052) | (39,691) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ 41,942</u> | <u>\$ 12,562</u> | <u>\$ 54,504</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Interest paid on debt | \$ (1,523) | \$ | \$ (1,523) |
| Principal paid on debt | (7,540) | | (7,540) |
| NET CASH (USED) BY FINANCING ACTIVITIES | <u>\$ (9,063)</u> | <u>\$</u> | <u>\$ (9,063)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of certificates of deposit | \$ (25,000) | \$ (25,000) | \$ (50,000) |
| Interest | 1,199 | 487 | 1,686 |
| NET CASH (USED) BY INVESTING ACTIVITIES | <u>\$ (23,801)</u> | <u>\$ (24,513)</u> | <u>\$ (48,314)</u> |
| NET CHANGE IN CASH | \$ 9,078 | \$ (11,951) | \$ (2,873) |
| CASH - BEGINNING OF YEAR | <u>253,774</u> | <u>111,084</u> | <u>364,858</u> |
| CASH - END OF YEAR | <u><u>\$ 263,502</u></u> | <u><u>\$ 99,133</u></u> | <u><u>\$ 362,635</u></u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | |
| Operating income | <u>\$ 24,976</u> | <u>\$ 8,274</u> | <u>\$ 33,250</u> |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | |
| Depreciation expense | \$ 21,100 | \$ 10,400 | \$ 31,500 |
| (Increase) decrease in: | | | |
| Prepays | (25) | (4) | (29) |
| Receivables | (5,251) | (6,108) | (11,359) |
| Increase (decrease) in: | | | |
| Accrued expenses | 1,142 | | 1,142 |
| Total Adjustments | <u>\$ 16,966</u> | <u>\$ 4,288</u> | <u>\$ 21,254</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u><u>\$ 41,942</u></u> | <u><u>\$ 12,562</u></u> | <u><u>\$ 54,504</u></u> |

See accompanying notes to the basic financial statements.

TOWNSHIP OF AMBOY
STATEMENT OF NET ASSETS -
FIDUCIARY FUND
MARCH 31, 2006

AGENCY FUND -
TAX
COLLECTION

ASSETS
Cash

\$ 331

LIABILITIES
Due to general fund

\$ 331

See accompanying notes to the basic financial statements.

TOWNSHIP OF AMBOY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL REPORTING ENTITY

The Township of Amboy (the "Township") was organized in the 1800's. The Township operates under a part-time elected Township Board and provides the following services as authorized by its charter: fire protection, cemetery maintenance, and sewer services.

REPORTING ENTITY

The Township is governed by an elected five-member Board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate, component units of the Township. Based on the application of the criteria, the Township does not contain any component units.

BASIS OF PRESENTATION

Government-Wide Financial Statements

The statement of net assets and the statement of activities (the government-wide statements) present information for the Township as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). Interfund activity has been eliminated in the preparation of the government-wide statements.

The government-wide and fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations are provided that explain the differences in detail.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Fund Financial Statements

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The Township utilizes governmental, proprietary, and fiduciary funds.

Governmental Funds

The governmental fund financial statements present the Township's individual major fund and aggregated non-major funds. A separate column is shown for the major fund on the balance sheet and statement of revenues, expenditures, and changes in fund balances. Non-major funds are combined and shown in a single column. The fiduciary funds are reported by type.

TOWNSHIP OF AMBOY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (CONTINUED)

Governmental Funds (Continued)

All governmental funds are presented using the current financial resources of measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The Township reports the following funds as *Major Governmental Funds*:

General Fund – The General Fund is used to account for money or other resources provided to the Township to support the general operations of the Township.

2002 Debt Fund – The 2002 Debt Fund is used to record tax revenues and other funds restricted for debt retirement and related payments for debt service.

Enterprise Funds

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income similar to the private sector.

Proprietary Funds

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds relates to charges to customers for services. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation of capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

The Township reports the following funds as *Major Proprietary Funds*:

Lake Diane Sewer Fund - The Lake Diane Sewer Fund is used to account for the activity of the sewer system within a special assessment district.

Merry Lake Sewer Fund – The Merry Lake Sewer Fund is used to account for the activity of the sewer system within a special assessment district.

Fiduciary Funds

Fiduciary Funds are used to account for assets held in a trustee or agency capacity for others, and therefore are not available to support Township operations. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds are not included in the government-wide statements. The Township presently collects and distributes property taxes on behalf of and to other local units of government through its Agency Fund.

TOWNSHIP OF AMBOY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF ACCOUNTING

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the *modified accrual basis* of accounting. The government-wide and fiduciary fund financial statements are prepared using the *accrual basis* of accounting.

Under the *accrual basis* of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Deferred revenue is recorded when resources are received by the Township before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenditures.

Under the *modified accrual basis* of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, state and federal aid, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

BUDGETARY DATA

The Township is required by state statute to adopt annual budgets for the general fund before April 1 for the ensuing year. The budget may be amended at any time by the Township Board. Actual expenditures may not legally exceed budgeted amounts nor may the Township budget a fund deficit.

DEPOSITS AND INVESTMENTS

The Township's cash and cash equivalents are considered to be demand deposits and short-term investments with original maturities of three months or less from the time of acquisition.

State statutes authorize the Township to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments.

Investments are reported at fair value.

RECEIVABLES

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of December 1. Taxes are levied on December 31 and due and payable on or before February 28 of the following year. All unpaid taxes become delinquent on March 1 of the following year. The Township collects its own property taxes. Township property tax revenues are recognized when levied to the extent that they result in current receivables, usually 60 days.

TOWNSHIP OF AMBOY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

FUND EQUITY

The unreserved, undesignated fund balances for governmental funds represent the amount available for budgeting future operations. Reserved fund balances represent the assets that have been legally identified for specific purposes. Designated fund balances represent tentative plans for future use of financial resources.

RESTRICTED RESOURCES

When both restricted and unrestricted funds are available, it is the Township's policy to first apply restricted funds toward the expense incurred.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, damage or destruction, errors and omissions, and injuries to employees. The Township has purchased commercial insurance to adequately cover these risk areas. Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage obtained through commercial insurance during the past year.

ACCOUNTING CHANGE

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The Township has implemented various elements of GASB 34.

The Township did not include a Management's Discussion and Analysis, which is required to present an analysis of the financial performance for the year. The GASB has determined that Management's Discussion and Analysis is necessary to supplement, although not required to be part of, the basic financial statements.

The Township did not present capital assets, infrastructure, depreciation, and accumulated depreciation for its governmental activities. The amounts that would be reported on the government-wide financial statements for governmental activity fixed assets is not reasonably determinable.

Because of the effects of the matters discussed in the preceding paragraphs, the Township's financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township of Amboy as of March 31, 2006 or the changes in its financial position for the year then ended.

TOWNSHIP OF AMBOY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2006

NOTE 2: CASH AND INVESTMENTS

The Township's cash and investments are recorded in the following areas of the financial statements:

| | <u>Cash and Cash Investments</u> | <u>Investments</u> |
|--------------------------|--------------------------------------|--------------------|
| Governmental activities | \$ 262,999 | \$ 371,484 |
| Business-type activities | 362,635 | 153,600 |
| Fiduciary net assets | <u>331</u> | <u> </u> |
| | <u>\$ 625,965</u> | <u>\$ 525,084</u> |

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of the instrument. State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1. The Township does not have an investment policy that further reduces interest rate risk.

Credit Risk

Generally, credit risk is the risk that an issuer of an instrument will not fulfill its obligation to the holder of the instrument. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is a listing of investments held by the Township as of March 31, 2006:

| <u>Rating</u> | <u>Investment</u> | <u>Fair value</u> |
|---------------|---|-------------------|
| N / A | Certificates of Deposit | \$ 253,600 |
| Not rated | Local units of Government Investment Pool | <u>271,484</u> |
| | | <u>\$ 525,084</u> |

At March 31, 2006, the book value of the Township's demand and time deposits, consisting of checking and savings accounts was \$625,965 with a corresponding bank balance of \$633,231. Qualifying demand and time deposits are insured by the Federal Deposit Insurance Corporation up to \$100,000 for each deposit type per bank. Of the bank's balance, \$293,931 is insured and the remaining \$339,300 is uninsured and uncollateralized.

The Township's investments are in accordance with statutory authority at March 31, 2006.

NOTE 3: SPECIAL ASSESSMENT RECEIVABLE

In the year ended March 31, 2002, the Township provided a road paving project at the request of local property owners residing in the Township. In exchange for the new paved road, the property owners agreed to a special property tax assessment to pay for the project. The cost of the project totaled \$900,000, to be collected over a ten year term. Property owners are assessed \$520 per parcel, plus interest at 5.244% annually. The special assessment receivable is reported in the statement of net assets.

TOWNSHIP OF AMBOY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2006

NOTE 3: SPECIAL ASSESSMENT RECEIVABLE (CONCLUDED)

Future special assessments are as follows:

| | PRINCIPAL | INTEREST | TOTAL |
|------|-------------------|------------------|-------------------|
| 2006 | \$ 74,133 | \$ 23,326 | \$ 94,459 |
| 2007 | 74,133 | 19,438 | 93,571 |
| 2008 | 74,133 | 15,551 | 89,684 |
| 2009 | 74,133 | 11,662 | 85,795 |
| 2010 | 74,133 | 7,775 | 81,908 |
| 2011 | <u>74,111</u> | <u>3,887</u> | <u>77,998</u> |
| | <u>\$ 444,776</u> | <u>\$ 81,639</u> | <u>\$ 526,415</u> |

NOTE 4: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are valued at historical cost. Depreciation is computed using the straight line method over the estimated useful lives of the assets. The components of property, plant and equipment are as follows:

| | LAKE DIANE SEWER FUND | MERRY LAKE SEWER FUND | TOTAL |
|-------|--------------------------|--------------------------|--------------------|
| Land | \$ 36,000 | \$ | \$ 36,000 |
| Plant | <u>808,000</u> | <u>432,606</u> | <u>1,240,606</u> |
| | <u>\$ 844,000</u> | <u>\$ 432,606</u> | <u>\$1,276,606</u> |

Depreciation expense is recorded as an operating expense in the two funds. Depreciation expense of \$21,100 and \$10,400 was recorded for the year ended March 31, 2006 in the Lake Diane Sewer Fund and the Merry Lake Sewer Fund, respectively.

NOTE 5: LONG-TERM DEBT

Long-term debt at March 31, 2006 is comprised of the following:

Governmental Activities

2002 Special Assessment Bonds, bearing interest ranging from 4.0 - 4.5%. Principal payments due annually in March, in amounts from \$20,000 to \$100,000 maturing in 2012.

\$ 560,000

Less: current portion

95,000

\$ 465,000

Business-type Activities

Note payable, Montpelier National Bank, bearing interest at 5.05%. Principal payments of \$7,540 due annually in April, maturing in 2008.

\$ 22,620

Less: current portion

7,540

\$ 15,080

TOWNSHIP OF AMBOY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2006

NOTE 5: LONG-TERM DEBT (CONCLUDED)

The following is a summary of changes in long-term debt:

| | Balance March 31, 2005 | Additions | Deletions | Balance March 31, 2006 |
|---------------------------------|---------------------------|-----------|------------|---------------------------|
| <u>Governmental Activities</u> | | | | |
| 2002 Special Assessment Bond | \$ 660,000 | \$ _____ | \$ 100,000 | \$ 560,000 |
| <u>Business-type Activities</u> | | | | |
| Note payable | \$ 30,160 | \$ _____ | \$ 7,540 | \$ 22,620 |

The following is a schedule of principal and interest maturities:

| | <u>Governmental Activities</u> | | | <u>Business-type Activities</u> | | |
|------|--------------------------------|------------------|-------------------|---------------------------------|-----------------|------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2007 | \$ 95,000 | \$ 23,335 | \$ 118,335 | \$ 7,540 | \$ 1,142 | \$ 8,682 |
| 2008 | 95,000 | 19,535 | 114,535 | 7,540 | 762 | 8,302 |
| 2009 | 90,000 | 15,735 | 105,735 | 7,540 | 381 | 7,921 |
| 2010 | 90,000 | 12,045 | 102,045 | | | |
| 2011 | 95,000 | 8,265 | 103,265 | | | |
| 2012 | 95,000 | 4,180 | 99,180 | | | |
| | <u>\$ 560,000</u> | <u>\$ 83,095</u> | <u>\$ 643,095</u> | <u>\$ 22,620</u> | <u>\$ 2,285</u> | <u>\$ 24,905</u> |

NOTE 6: SEGMENT INFORMATION FOR PROPRIETARY FUNDS

The Township maintains two enterprise funds. Segment information for the year ending March 31, 2006 is as follows:

| | LAKE DIANE SEWER FUND | TOTAL MERRY LAKE SEWER FUND | ENTERPRISE FUND |
|------------------------|--------------------------|-----------------------------------|--------------------|
| Operating revenues | \$ 83,356 | \$ 55,251 | \$ 138,607 |
| Depreciation expense | 21,100 | 10,400 | 31,500 |
| Operating income | 26,442 | 7,787 | 34,229 |
| Non-operating revenues | 1,199 | 487 | 1,686 |
| Net income | 24,976 | 8,274 | 33,250 |
| Total assets | 886,149 | 348,110 | 1,234,259 |
| Net working capital | 286,617 | 234,928 | 521,545 |
| Total equity | 862,387 | 348,110 | 1,210,497 |

TOWNSHIP OF AMBOY
NOTES TO FINANCIAL STATEMENTS (CONCLUDED)
YEAR ENDED MARCH 31, 2006

NOTE 7: FUND EQUITIES

Reserved fund balances and net assets at March 31, 2006 are as follows:

Fund Balances

| | |
|--|-------------------|
| General fund: | |
| Road projects – millage | \$ 326,117 |
| Prepays | <u>2,603</u> |
| | <u>\$ 328,720</u> |
| 2002 Debt Service – repayment of bonded debt | <u>\$ 139,543</u> |

Net Assets

| | |
|--|-----------------|
| Lake Diane Sewer Fund – reserve for prepays | <u>\$ 1,545</u> |
| Merry Diane Sewer Fund – reserve for prepays | <u>\$ 1,087</u> |

NOTE 8: SUBSEQUENT EVENT

On April 1, 2006, the note payable to Montpelier National Bank as referred to in Note 4, was paid in its entirety. The payoff amount was \$23,762, including interest.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF AMBOY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND

YEAR ENDED MARCH 31, 2006

| | ORIGINAL BUDGET | FINAL AMENDED BUDGET | ACTUAL | FINAL TO ACTUAL |
|----------------------------|--------------------|----------------------------|-------------------|--------------------|
| REVENUES | | | | |
| Property tax - operating | \$ 32,000 | \$ 32,000 | \$ 29,581 | \$ (2,419) |
| Property tax - roads | 105,000 | 105,000 | 116,905 | 11,905 |
| Delinquent taxes | 10,500 | 10,500 | 11,705 | 1,205 |
| State shared revenues | 83,168 | 83,168 | 85,427 | 2,259 |
| Dust control | 3,187 | 3,187 | 4,250 | 1,063 |
| Interest | 450 | 450 | 8,720 | 8,270 |
| Miscellaneous | 15,135 | 15,135 | 17,249 | 2,114 |
| | <u>\$ 249,440</u> | <u>\$ 249,440</u> | <u>\$ 273,837</u> | <u>\$ 24,397</u> |
| TOTAL REVENUES | | | | |
| EXPENDITURES | | | | |
| General government | \$ 66,675 | \$ 66,675 | \$ 66,658 | \$ 17 |
| Roads and bridges | 29,265 | 29,265 | 20,990 | 8,275 |
| Road paving | 105,000 | 105,000 | 87,708 | 17,292 |
| Solid waste | 6,500 | 6,500 | 4,276 | 2,224 |
| Cemetery | 5,000 | 5,000 | 4,946 | 54 |
| Fire protection | 21,000 | 21,000 | 23,752 | (2,752) |
| Dust control | 16,000 | 16,000 | 17,000 | (1,000) |
| | <u>\$ 249,440</u> | <u>\$ 249,440</u> | <u>\$ 225,330</u> | <u>\$ 24,110</u> |
| TOTAL EXPENDITURES | | | | |
| REVENUES OVER EXPENDITURES | \$ | \$ | \$ 48,507 | \$ 48,507 |
| FUND BALANCES - BEGINNING | <u>449,367</u> | <u>449,367</u> | <u>449,367</u> | <u></u> |
| FUND BALANCES - ENDING | <u>\$ 449,367</u> | <u>\$ 449,367</u> | <u>\$ 497,874</u> | <u>\$ 48,507</u> |

OTHER REPORTS



Osbourne, March, Condon & Co., P.C.

Certified Public Accountants

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Hillsdale, Michigan 49242

Telephone: 517/439-9331

FAX: 517/439-1894

REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Township Board
Amboy Township
Hillsdale County, Michigan

We have audited the financial statements of Township of Amboy as of and for the year ended March 31, 2006 as listed in the table of contents, and have issued our report thereon dated May 26, 2006. We issued an adverse opinion on the financial statements taken as a whole because the Township did not present government-wide financial statements. We also disclaimed an opinion on the statements of fund balance because we were unable to verify the fund balances as of April 1, 2005. Except as discussed in the preceding sentences, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Township of Amboy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Township of Amboy's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is solely intended for the information and use of the Township Board, and the State Treasury Department. However, this report is a matter of public record and its distribution is not limited.

Osbourne, March, Condon & Co., P.C.

Certified Public Accountants

Hillsdale, Michigan
June 30, 2006



Osbourne, March, Condon & Co., P.C.

Certified Public Accountants

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COMMUNICATION TO AUDIT COMMITTEE

To the Township Board
Township of Amboy
Hillsdale County, Michigan

We have audited the financial statements of Township of Amboy for the year ended March 31, 2006, and have issued our report thereon dated June 30, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Township of Amboy. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

1. Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Township of Amboy are described in Note 1 to the financial statements. We noted no transactions entered into by Township of Amboy during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

2. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of the significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no accounting estimates made in the financial statements.

3. **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township of Amboy's financial reporting process (that is, cause future financial statements to be materially misstated). During the course of the audit approximately ten journal entries were made to the Township's financial statements. In our judgment, the above referenced entries indicate matters that could have a significant effect on the Township's financial reporting process.

4. **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

5. **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

6. **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Amboy's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

7. **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Township Board. It is not intended to be and should not be used by anyone other than these specified parties.

Osbourne, March, Condon & Co., P.C.

Certified Public Accountants

Hillsdale, Michigan
June 30, 2006



Osbourne, March, Condon & Co., P.C.

Certified Public Accountants

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MANAGEMENT LETTER

To the Township Board
Township of Amboy
Hillsdale County, Michigan

We have recently completed our audit of the records of Township of Amboy as of and for the year ended March 31, 2006. In connection with the audit, we became aware of matters that are opportunities for strengthening management's control and operating efficiency. These suggestions are a result of our evaluation of the internal control structure and our discussions with management.

ROAD MILLAGE

The Township levied 2.7667 mills for road repair and construction. As required, the funds collected are maintained in separate bank accounts. However, there is not a system in place to summarize all the activity and use of the special millage.

Recommendation

We recommend that a separate activity ledger be maintained for the road millage. This ledger should keep track of property tax collections, interest income from savings accounts, certificates of deposit, and the LUG account. It should also track all disbursements made for projects, and a running balance of the reserved millage funds in total.

GASB NO. 34 COMPLIANCE

The Township's financial statements are in compliance with some aspects of the GASB No.34 Financial Reporting Model. However, the Township does not present fixed assets, infrastructure, depreciation expense, and accumulated depreciation of the General Fund. Also not presented is Management's Discussion and Analysis.

Recommendation

We recommend the Township work towards being fully compliant with GASB No.34.

Osbourne, March, Condon & Co., P.C.
Certified Public Accountants

Hillsdale, Michigan
June 30, 2006